

Ashiana Housing Ltd — 05 Feb 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	CARE A; Stable (Reaffirmed / Assigned - 0 notches moved)
Outlook	Stable (Current) vs Stable (Previous)
Key Drivers of Change	<ul style="list-style-type: none"> • Revenue Turnaround: FY23 PAT turned positive at ₹27.88 Cr (vs ₹7.04 Cr loss in FY22); H1FY24 PAT already at ₹38.22 Cr. • Surge in Realizations: Avg. realization rose to ₹5,080/sq. ft. in FY23 (up 31% YoY); Q1FY24 peaked at ₹6,684/sq. ft. • Strong Collections: H1FY24 collections reached ₹532.24 Cr (vs ₹667.62 Cr for full FY23), ensuring high internal accrual funding. • Sales Velocity: 79% of area in 26 ongoing projects already sold; 13 new projects (30.8 lsf) launched in last 12 months.
Rated Instruments	<ul style="list-style-type: none"> • NCDs (Proposed): ₹125.00 Cr
Key Observations	<ul style="list-style-type: none"> • Low Leverage: Overall gearing maintained at a very conservative 0.24x. • Cash Cushion: Liquidity of ₹165 Cr + Committed receivables of ₹1,310.94 Cr (covers 106% of debt + balance project costs). • Asset Light Features: "Payable when able" NCD structure with IFC reduces default risk during cash flow mismatches. • Execution Risk: 26 ongoing projects across Tier-II cities; heavy reliance on customer advances for future launches. • Margin Lag: PBILDT margins (11.71% in H1FY24) remain below the 15% threshold required for a rating upgrade. • Interest Coverage: Dramatic improvement to 39.88x in H1FY24 from 0.59x in FY22.
Investor Impact	<ul style="list-style-type: none"> • Growth: High revenue visibility from 11 project handovers scheduled for FY24. • Margins: Operating leverage kicking in, but overheads remain high; realization growth is the primary PAT driver. • Leverage: Negligible risk; company prepaid ₹40 Cr term loan in Q1FY24. • Dilution: Low risk given strong internal accruals and low debt appetite.
Agency / Cross Analysis	<p>Same Agency (CARE): Reaffirmed rating but shifted focus from "Recovery" to "Growth Momentum."</p> <ul style="list-style-type: none"> • What Changed: Financials transitioned from loss-making to high-growth; realization rates hit a 10-year high. • Alignment: Rating remains at 'A' despite superior coverage (39x) because CARE requires sustained PBILDT margins >15% and collections >₹250 Cr/quarter for an upgrade. • Conclusion: Improvement. Stronger balance sheet than the rating suggests, but capped by real estate cyclicality.
Final Inference	Real improvement in credit quality. High realizations and low debt (0.24x) make this a low-risk equity play in the mid-income housing segment. The rating "A" is conservative; a margin expansion to 15% could trigger a re-rating to A+.